



OXFORD ANALYTICA

ARGENTINA

FISCAL TRANSPARENCY

Country Report 2005

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ARGENTINA



COMPLIANCE RATINGS

<i>Fiscal transparency</i>	2005	2004	2003	2002
Clarity of roles	•••	•••	•••	•••
Availability of information	••••	••••	••••	•••
Budget preparation	•••	•••	•••	•••
Accountability	•••	•••	•••	••••
Score	3.25	3.25	3.25	3.25

OUTLOOK & COMMENTARY

There have been no significant changes to fiscal transparency in Argentina this year. The signing of a new revenue sharing law has been pending since 1994 and remains a key issue to improve fiscal policy, although little progress is expected in the near future. The Fiscal Responsibility Law was envisaged to further strengthen transparency and management, but current delays in implementation could diminish its impact. Given the limited information available during the course of the year, it remains to be seen whether provinces will be able to adjust internally to implement the law's requirements. Equally, the imposition of sanctions by the Federal Council for Fiscal Responsibility will be a relevant point to monitor, given the excessive prerogatives that it has to avoid non-compliance penalties.

The removal of powers granted to the cabinet chief in reassigning budgetary allocations for the 2006 fiscal year is a positive sign, although the practice to increase budget expenditures through presidential decrees -- widely exercised in recent years -- needs to be monitored closely owing to its negative impact on fiscal transparency. The National Audit Office's lack of power to enforce its recommendations constitutes a serious limitation to financial integrity; it is unlikely that the proposed changes to strengthen its functions will be approved in the near future.

EXECUTIVE SUMMARY

3.25 Enacted

Argentina is a federal state and, under the terms of the constitution, the federal government has little control over provincial spending. A revenue sharing system has been in force since the 1930s, under which the federal government collects a range of taxes that are then distributed to the provinces for spending. A new revenue sharing law has been pending since 1994 and no progress has been made on this during the past year.

The country's legal framework for budgetary activities is perceived as adequate, but concerns remain with its implementation. The 2004 Fiscal Responsibility Law (LRF) -- intended to increase national and sub-national governments' fiscal efficiency -- was expected to come into force this year. However, the Federal Council for Fiscal Responsibility was set up too late to analyse the macro-fiscal framework for 2005 prepared by the Ministry of Economy (MEcon) at the end of 2004. Enforcement of the LRF is scheduled to start in 2006.

The preparation procedures for the national budget and information on its administrative rules are publicly available on the MEcon website. A wide range of fiscal information, including drafts, proposals and consolidated reports on national budgets is available. Data on central government operations are considered reliable by independent experts, although progress in budget transparency practices in several provinces has slowed down during recent years. The *Fiscal Bulletin* and the *Economic Report* provide comprehensive fiscal data, including analytical frameworks and macroeconomic indicators. Timely publication of debt information is available. Budget execution information is publicly available, but there is no evaluation of spending efficiency.

The 2006 budget proposal does not include the request to authorise the cabinet chief to reassign budget funds without congressional approval. However, the increase in budget expenditures through presidential decrees, and the underestimation of tax revenues -- increasing the discretionary use of supplementary resources -- are likely to continue to diminish the role of Congress in exercising an active role in fiscal policy design and budgetary control. Fiduciary funds have been consolidated as a tool to evade fiscal controls on extra-budgetary spending. A report prepared by the National Audit Office (AGN) based on the 2004 fiduciary funds has criticised the lack of coordinated information of these funds, the limited information provided for their objectives and management, and their deficient accounting structure.

The AGN undertakes independent auditing of the public sector, but Congress rarely reviews these reports -- thus leading to weak external control of fiscal accounts. Information on contingent liabilities is not publicly available, and fiscal risks are not assessed in the budget documentation. Information on tax collection is updated on a monthly basis and is publicly available. The fact that budget proposals do not include alternative scenarios for either lower or higher tax collection than the one projected could potentially increase the government's discretion in the use of resources.

Argentina's overall score is unchanged from last year.

1. CLARITY OF ROLES, RESPONSIBILITIES, AND OBJECTIVES



The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

Structure, functions, and responsibilities of government

The National Constitution, reformed in 1994, sets out the division of responsibilities between the central government, provincial governments and municipalities.¹ The structure, functions and responsibilities of the government are clearly explained on the website of the Cabinet Chief Office. This has a detailed outline of authorities, functions and objectives of the executive power, including the cabinet chief, ministries and independent government agencies.²

Argentina is a federal state and, under the terms of the constitution, the federal government provides for national expenditures through funds from the National Treasury. The federal government has little constitutional authority to control provincial spending. However, as the provinces have legally devolved much of their tax-collection capacity to the nation, a system of revenue sharing known as 'co-participation' has been in force since the 1930s, under which the federal government collects a range of taxes, which are then distributed to the provinces to cover their spending requirements.

The current co-participation structure gives some 42% of those revenues to the national government and nearly 57% to the provinces. The percentages disbursed to each province (secondary distribution) have remained the same since the implementation of the now-expired Law 23.548 in 1988.³ However, the percentages received by each province were calculated on the basis of political, rather than economic or social criteria, and the system does not function in an efficient manner. While some provinces generate around 50% of their own revenues, others depend on co-participated revenues for up to 90% of their spending.⁴ As these are not collected locally, there is little pressure for responsible public spending from local voters.

Although a new co-participation accord has been pending since 1994, successive governments have been reluctant to tackle such a sensitive issue. Successful changes to the co-participation system have been limited to the elimination of a monthly guaranteed minimum of funds transferred to the provinces. National government efforts to reach a new co-participation accord in 2004 failed, due to provincial reluctance to accept a draft proposal submitted by the government. Lack of agreement in this area was among the key factors -- together with the limited progress on other structural issues like the renegotiation of privatised utilities contracts -- in the country's suspension of the latest IMF stand-by agreement.⁵ No progress has been made during the past year to discuss a new co-participation law. The issue has been postponed in the government agenda, mainly to avoid introducing the debate before the October mid-term parliamentary elections.⁶

The Fiscal Responsibility Law (LRF), approved by Congress in August 2004, intends to increase sub-national governments' fiscal efficiency, and limit future spending and debt issuance by the provinces -- a goal that in the past has proved elusive. Following LRF provisions, the nominal rate of increase in provincial primary public spending may not exceed that of GDP growth. In addition, all expenditures will have to be included in the budget legislation and it will only be possible to increase them if tax revenues grow.

Some commentators have expressed their doubts about the technical capacity that provinces will have to implement some of the provisions of the LRF.⁷ The government has speeded adherence to the law, using its power to put pressure on refinancing provincial debt with the central government, and financing the pension funds deficits of some provinces. Decree 1382/05 has clarified the compensation of debts between the central government and those provinces adhering to the law. The number of provinces adhering to the law has reached 18 -- out of 23 -- in the past year, and the city of Buenos Aires has also subscribed it.⁸

The government continues its efforts to strengthen the financial position of a number of provinces through bilateral agreements. These so-called ‘ordered financing programmes’ (PFO) impose spending limits on provinces by stipulating that any overspending will result in the loss of the national government’s assistance in financing that province’s deficit. These bilateral accords have improved provincial finances and emphasised the importance of fiscal policy transparency at a sub-national level. However, the PFO’s requirements are not uniform across the provinces, and are difficult to monitor. Publicly available information for PFOs is very limited.⁹

Presidential Decree 838 of 1994 allows for ministries of the national government to use resources for ‘non-personal services’, including protocol expenses, without establishing a system of accountability for those operations. At present there are several judicial investigations into past governments officials who could have used these resources to increase their monthly salaries. No sign of a clarification of the execution of these funds has been given.

Coordination and management of budgetary activities

The coordination and management of budgetary activities is set forth in Articles 99 and 100 of the constitution, in Law 24.156 on financial administration (1992), in Law 25.152 on the federal administration of public resources (1999), and in Law 25.917 on the federal fiscal responsibility system (2004).¹⁰ The National Budget Office (ONP) at the Ministry of Economy (MEcon) is responsible for preparing and publishing the national budget according to a fixed timetable. Provincial governments prepare their own budgets, although these are not necessarily made fully public or presented to the MEcon. A congressional committee is charged with reviewing and controlling tax and budget information, but in practice these controls are only partial.

The LRF establishes the Federal Council for Fiscal Responsibility (FCFR) in order to monitor compliance with the law, help develop the tools necessary to implement it, and to impose sanctions for non-compliance. The complementary regulations issued to the LRF through Decree 1731/04 have reinforced this prerogative. The council is formed with the economy ministries of the provinces subscribing to the law and meets on a quarterly basis. Internal procedures have been established over the past year, with an indication of sanctions for non-compliance within the LRF framework.¹¹ The LRF was originally envisaged to come into force during 2005. However, delays in the establishment of the council -- which started operations early in the year -- have precluded it from analysing the macro-fiscal framework for 2005 prepared by the MEcon at the end of last year. Enforcement of the LRF is now scheduled to start in 2006. There is very limited information to analyse whether provinces have been adjusting internally to implement LRF’s requirements.¹² Additionally, Article 30 of the procedures grants excessive prerogatives to the FCFR to avoid imposing the sanctions scheme.¹³

The IMF has recently underscored the importance of strengthening the institutional fiscal framework, including the LRF, while acknowledging the political constraints facing authorities. The establishment of clear rules to reinforce the role of the FCFR has also been highlighted. The IMF also called for less discretion of federal financing to provinces, better coordination of fiscal policies across different levels of government, increased budgetary transparency and consistent accounting standards at the provincial level, and more equitable and stable intra-governmental revenue sharing.¹⁴

Relations between government and public sector agencies

The principal public sector agencies falling outside the national government are the central bank (BCRA) and, to some extent, the tax administration.¹⁵ The BCRA is in principle autonomous, and it now exercises control over monetary policy. However, the MEcon has considerable (unofficial) influence in the choice of the BCRA's president -- although the Argentine president has formal responsibility for filling this post. The replacement of former central bank president Alfonso Prat-Gay in 2004 and the central bank's passive role in monetary policy design in the past year has increased the perception of BCRA's lack of independence.¹⁶ The BCRA may grant temporary advances to the national government as long as they do not exceed 12% of the monetary base -- made up of money in circulation plus the financial institutions' demand deposits held in current or special accounts with the central bank. In addition, it is allowed to grant advances as long as they do not exceed 10% of the funds obtained by the government in the last twelve months. At no time may the amount of temporary advances granted, excluding those that are exclusively allocated for payment of obligations to multilateral credit agencies, exceed 12% of the monetary base. These advances must be reimbursed within twelve months. The BCRA advises the MEcon and Congress, to which it must report quarterly, on exchange and monetary policy.

The National Inland Revenue Office (AFIP) is responsible for national tax collection and administration. It is one of the main departments of the national government, and is directly responsible to the MEcon. Its director is appointed for four years, one year after the president takes office, and cannot be dismissed without just cause. The legal framework strengthening AFIP's autonomy has been improved several times, but it does not grant statutory protection against political interference and dismissals.

Government involvement in the private sector

Government involvement in most of the private sector is minimal, following the extensive privatisation and deregulation that took place in the 1990s. The state holds small percentages in some 'residual companies' and has a regulatory function through bodies such as the regulators of the telecoms and gas sectors (*Comision Nacional de Comunicaciones* and *Ente Nacional Regulador del Gas*). Two of the largest banks, *Banco Nacion* (BN) and *Banco de la Provincia de Buenos Aires* (Bapro), continue to be state-owned and are likely to remain so in the light of strong opposition to their privatisation; the majority of other provincial banks were privatised in the 1990s. In 2005, an auditing firm delivered a comprehensive report on Bapro's operations, which is currently being analysed by the bank's board of directors. The bidding process to select a firm to undertake the *Strengthening and Efficiency Plan for Banco Nacion* has been cancelled or suspended several times in the past two years and is likely to be adjudicated in the near future.

In 2004 the government promoted the creation of a new state-owned energy company, ENARSA.¹⁷ The establishment of this company -- created by Law 25.943 in October 2004 -- is an indication of the government's willingness to play a more active role in the economy, after the state's withdrawal from commercial activities in the 1990s. ENARSA will hold exploration and exploitation licences for offshore areas that have not been privatised. The federal government will own 53% of ENARSA, with 12% held by the provinces and the remaining 35% floated on stock markets. State-owned enterprises are not included in the annual budgets, and information on their operations is limited.

In August this year, the government issued two decrees aiming to stimulate private investment. Decree 967/05 relates to the creation of public-private partnerships, while Decree 966/05 resurrects the private initiatives regime implemented in the 1980s, allowing private companies to propose projects and to receive 'preferential treatment' when the project is adjudicated. However, the extension of these plans remains unclear and commentators have suggested that in the absence of clear regulations and solid legal basis, private investment would not increase.¹⁸

There should be a clear legal and administrative framework for fiscal management

Legal framework for budgetary activities

A permanent Budget Law (Law 11.672, of 1933) and a Law for Budget Execution and Public Administration Organisation (Law 24.629, of 1996), together with the aforementioned regulations, are key components of the budgetary legal framework. Law 25.152 on the federal administration of public resources aims to reduce the public deficit and improve the operation of the public sector, including better public availability of information. In addition, the LRF establishes among its key priorities public management transparency both at a national and sub-national level.

The preparation procedures for the national budget and information on its administrative rules are publicly available on the MEcon website. The country's legal framework for budgetary activities is perceived as adequate, but concerns remain regarding the actual implementation of that framework.

Legal framework for taxation

The legal framework for taxation is perceived as unclear, mainly because of the numerous regulations in place. As a consequence of this, some provisions of the different tax laws may not be fully implemented. Article four of the constitution establishes the principle that Congress must levy taxes equitably and proportionally. The website of the AFIP has a comprehensive, updated and easily accessible system of information regarding tax laws, including a specific section aimed at facilitating understanding of the tax and customs system. The AFIP's budget forms part of the national consolidated budget.

Information on tax collection is updated on a monthly basis and is publicly available. Data include statistical information of previous years and aggregate information for the tax year in progress. In addition, the MEcon website provides a wide-range of tax information, including a list of current national taxes and a schedule for their application, and amendments to tax laws.

Even though some 'disruptive' taxes introduced to deal with the country's economic crisis were scheduled to be eliminated in 2004, they were retained during this year and will not be eliminated in the near future. These taxes are applied to exports on natural gas, hydrocarbons, manufactured products, and primary products. At present, these taxes represent around 4% of GDP -- around 18% of total tax collection -- and some experts consider that the consolidation of these taxes could create a discretionary system, which is difficult to manage and supervise.¹⁹ National tax revenues currently account for a record 22% of GDP, up from an average of 16% in the 1980s and 17% in the 1990s. Current tax revenues, however, would reach only 18% of GDP if supposedly temporary export taxes were excluded.

Tax collection has continued to increase in recent years, reaching almost 105 billion pesos in 2004 -- a 36% increase from 2003. Regulations included in the 2003 'anti-evasion' package sent by the government to Congress have been approved. During 2005, complementary measures have been passed -- mainly through the approval of Law 26.044 -- including the strengthening the tax agency's powers to investigate and prosecute tax evasion (allowing the use of concealed agents), the creation of a unified database of companies along the country, and the granting of deductions in some taxes for registered taxpayers. Judicial prosecution of tax evasion has also increased in the past year.

In 2005, the *Profile Risk Programme* (SIPER) has been launched, which awards a risk grade to value-added tax (VAT) contributors. The programme -- which allows Internet tracking of risk grades -- is envisaged to strengthen

communications between the tax agency and contributors and to improve tracking of VAT evasion. The system has been piloted this year and will be fully operational in 2006.

Ethical standards for public servants

Ethical standards for public servants are set forth in the *Code of Conduct for Public Officials* established through Law 25.188 of 1999. Higher public officials have to submit sworn declarations annually of their possessions to the anti-corruption office. There is also a special *Code of Conduct for Public Officials* employed in the AFIP. However, auditing controls are aimed primarily at staff above managerial level and, as such, controls over lower staff levels are rather limited. In addition, there are no incentives for staff to work efficiently.

The 2004 World Economic Forum Competitiveness Ranking notes that policy instability and corruption remains an issue of concern in the region.²⁰ This year, Argentina's ranking went from 108th place in 2004 to 97th in Transparency International's world corruption rankings. Even though the reform of the Criminal Code in March this year has clarified procedures relating to the duration of criminal cases, it also had a direct impact on ongoing corruption investigations, closing judicial proceedings against former public officials and businessmen.

2. PUBLIC AVAILABILITY OF INFORMATION

●●●● Compliance in progress

The public should be provided with full information on the past, current, and projected fiscal activity of government.

Public provision of information on fiscal activity is adequate at the national level, although the standards of provincial information are variable. The timeliness of provincial data differs substantially in each province. At the national level, the standards of data presentation by different ministries are harmonised, although some programmes provide greater detail than others. The MEcon publishes a wide range of fiscal information on its website, while the ONP publishes drafts, proposals and consolidated reports on national budgets. Users consider the fiscal information for provinces (available through the MEcon) reliable.

The *Saving-Investment Account of the Public Sector Report* provides detailed information on revenues and expenditures at a national level. Accrual-based reports are available for the fiscal years, and monthly cash-basis reports are also disclosed. The annual consolidated budget includes statements on fiscal and quasi-fiscal activities of the public administration, as well as budgetary information on social security and other public institutions. The LRF introduces provisions to report on the consolidated budget funds and operation of public institutions.²¹

In 2003, Presidential Decree 1172/03 established some general principles concerning access to information for the general public. Although not specifically tailored for fiscal data, the decree -- inspired by the US Freedom of Information Act -- provides clear procedures for granting access to information produced within the National Executive, including the government's fiscal activity. A more comprehensive bill debated in Congress has lost 'parliamentary status' this year due to failure to approve it since first introduced.²²

Central government operations

There are no comments about extra-budgetary funds in the budget documentation, although off-budget spending items have been reported in recent years. This is particularly the case at the provincial level, where fiduciary funds allow the local authorities to evade fiscal controls on extra-budgetary spending. As long as fiduciary funds' revenues are not included within the national budget and are distributed in line with accepted controls, both the national and provincial governments can use those funds for purposes other than those intended. Publicly available information for fiduciary funds is limited.

Most fiduciary funds are within the jurisdiction of the MEcon and the Planning Ministry, and are created by law.²³ These funds are not accounted for within total consolidated national spending -- generating a 'parallel budget' not subject to congressional controls.²⁴ The IMF has repeatedly expressed particular concern over this issue. Despite demands that these funds should be subject to the same accounting criteria and disclosure requirements as budgetary spending, these funds have continued proliferating as provincial administrators seek to defend their funding against any unexpected cuts. Since 2002, some funds appear as an annex to the national budget, although the amounts involved are not included within the total budget and detailed information on execution is not published. Fiduciary funds have the same status as public companies and are in fact required to present budget information; in practice this requirement is not complied with.

The number of fiduciary funds reported in the 2005 budget reached 16, with information on financial flows publicly available. However, some funds are not reported in the annual budget, in conflict with what is established under Law 25.152.²⁵ Fiduciary funds reached a total of over 3.2 billion pesos in 2004. According to provisional figures, resources allocated to these funds could reach 3.7 billion pesos in the 2005 fiscal year. Reported financial flows in the 2006 budget proposal for these funds reach 4.1 billion pesos. A detailed report prepared by the National Audit Office based on the 16 fiduciary funds in place during 2004 criticised the lack of coordinated and homogenous information of these funds, the limited information provided for the objectives and management of most funds, and their deficient accounting structure.²⁶

The budget process includes the elaboration of a multi-year framework, which establishes macroeconomic and fiscal projections for a two-year period beyond the term of the budget. However, there is no public document explaining the extent to which the goals declared therein are being met. There was no multi-year budget (PPL) published for 2002-2004 as a result of the crisis, but those for 2003-2005, 2004-2006 and 2005-2007 have been prepared and made publicly available. Projections on debt servicing are included in the PPL. The government submits revised versions of the multi-year budgets every year, together with the annual budget proposal. This aims at improving the reliability of medium-term projections, updating macroeconomic trends accordingly. Congress approves only the budget for the coming year, with forecasts for the next two years.²⁷ The 2001-2002 crisis and the subsequent underestimation of macroeconomic figures have diminished the perceived importance of the PPL. Recent preparation of PPL's tends to incorporate the first year projections into the whole three-year period.²⁸

Following provisions of the LRF, the national government will have to include an estimation of how public resources will be distributed among provinces in the multi-year budget. Moreover, provinces adhering to the law will have to submit before the respective legislatures three year projections of revenues, expenditures, investment plans, debt progression, and a description of budgetary policy sustaining these forecasts.²⁹ Even though the latest multi-year budget available for the 2005-2007 period does not include these projections, it is expected that this information could be introduced in the near future.

Published information on tax expenditures is included in the budget. Information on changes in fiscal legislation is also contained in the budget documentation, as well as in the digest of administrative norms and systems for the public sector on the MEcon website. Information on contingent liabilities is not publicly available.³⁰

Public sector operations

Data are disseminated in millions of pesos on the operations of the non-financial public sector, including central government (central administration, decentralised bodies and social security institutions), the provincial and municipal governments (to the extent available), and non-financial public enterprises. Data for provincial governments include information on the operations of centralised and decentralised administrations, but not on operations by social security institutions. Data are provided by the Ministries of Economy and Planning and are based on the accounting records of all units. Publicly available information on revenues transferred by the central government to the provinces has increased in the past two years. Information is updated on a monthly basis and is available online. Even though the LRF prescribes that sub-national levels of government have to make information on their annual budgets and multi-year projections available through their websites, little progress has been made in this area during the past year.

A commitment should be made to the timely publication of fiscal information.

Argentina subscribes to the IMF Special Data Dissemination Standard (SDDS).³¹ Data are disseminated on: revenue; expenditure; the current balance; the deficit/surplus (borrowing requirement) of the non-financial public enterprises; the primary deficit/surplus; the overall deficit/surplus; and financing. Information on methodological issues is

published in the *Fiscal Bulletin*, available on a quarterly basis. The *Economic Report*, previously available on a quarterly basis, now released on a bi-annual basis -- contains information on the country's economic performance, employment, revenues, and public finances, including analytical frameworks. Macroeconomic indicators are also provided in this report.³² The year-end issue of this report publishes detailed annual data for the reference year and the previous year for revenues and expenditures (broken down by economic type, purpose, and function); data on provincial and municipal public bonds; and an annex detailing the public bonds issued by each government during the previous year.

Debt reporting

Timely publication of debt information is available. Data on central government debt are compiled under the terms of the Law 17.622 on the National Statistics Institute and the National Statistics System (1968) and the Regulatory Decree 3110/70. Debt and fiscal information are published on a regular basis on the MEcon and BCRA websites. The MEcon website includes a detailed section on the country's public debt, which is periodically updated according to the government proposals for its debt restructuring. Information on provincial indebtedness is also publicly available online.³³ Following debt restructuring during this year, the Treasury has regained its exclusive powers to issue medium and long-term debt.

Advance release calendars

An advance release calendar is updated every month and published on the MEcon website to show the data-release dates for the next four months.³⁴ Article 8 of Law 25.152 provides for the legal requirement to publish this information online, together with other information on fiscal laws and the national budget. Some provisions regarding the fiscal management of the country are also published in the country's *Official Bulletin* that, as of 2004, abandoned its pay-subscription access to the daily edition.

3. OPEN BUDGET PREPARATION, EXECUTION AND REPORTING

●●● Enacted

Fiscal policy objectives, macroeconomic framework, and risks

Fiscal policy objectives

The Argentine authorities have made significant efforts to modernise the budgetary and accounting system, and Law 24.156 on financial administration brought the national budgetary system into line with international standards. Budget documentation specifies clear fiscal objectives, and is presented within a consistent macroeconomic framework. Even though the LRF was envisaged to further strengthen transparency and management, commentators agree that delay in implementation could diminish its impact. Budget documentation is publicly available on the website of the National Budget Office (ONP), including the country's fiscal position, deficit/surplus and debt targets.³⁵

Macroeconomic framework

The progressive normalisation of economic indicators after the 2001-2002 crisis has allowed the government to resume sustainable macroeconomic projections. The consolidation of more conservative macroeconomic forecasts is perceived as a positive sign in order to keep fiscal accounts under control.

Macroeconomic projections for the following period are made publicly available by the MEcon in September each year and are widely published in the local press.³⁶ The information contains estimates on GDP, investment, exports and imports. Some commentators suggested that the downside of current conservative macroeconomic forecasts has led to a significant fiscal surplus that the government controls without congressional approval. GDP growth for 2004 was forecasted at 4%, while the final figures showed an 8.9% increase. Given the fact that the current system of checks and balances is weak and that the LRF does not limit central government discretion in allocating extra-budgetary funds, a system where politics prevails over fiscal management is being consolidated.³⁷

Fiscal risks

Argentine budgetary documentation does not provide an assessment of fiscal risks, and no steps have been taken to identify and quantify those risks. Moreover, fiscal risks such as a rise in rates or fall in GDP are not quantified. The budget does not provide an assessment of how to finance expenditures in the case that tax collection decreases. At the same time, no estimation of revenue allocation for tax increases is provided. The fact that budget proposals do not include alternative scenarios for either lower or higher tax collection than the one projected could further increase government's discretionary use of resources. With the recent increases in tax collection, fiscal transparency would benefit from incorporating different scenarios for tax revenues and the disbursement into budgetary allocations.

Fiscal sustainability

During the mid-1990s, fiscal sustainability was harmed by over-optimistic projections of the country's income. This situation produced a lack of equilibrium in public finances, with increasing fiscal deficits over the years. After a period where fiscal sustainability assessments were not included in the budget, Budget Laws now provide general information on this issue, although growth projections are conservative.

In 2004, the country's consolidated primary surplus -- national government, provinces, and municipalities -- achieved a record 5.1% of GDP. Forecast primary surplus for 2005 was 14.3 billion pesos and in October this year, the figure had already reached 18 billion pesos. Provincial fiscal surplus is expected to fall from 1.2% of GDP in 2004 to 0.6% this year. The currently suspended agreement with the IMF -- signed in September 2003 -- envisaged a primary surplus for the national government of 3.2% of GDP.

In March this year, the government announced that 76.15% of holders of defaulted bonds, worth 81.8 billion dollars (102.6 billion including past due interest), had agreed to exchange them for 35.2 billion dollars in new bonds as part of the swap operations carried out in January 2005. Public debt fell from 191.3 billion dollars to 125.3 billion as a result. Before the restructuring, 66% of the eligible debt was denominated in dollars, while peso bonds accounted for only 10%. After the swap, 37% of debt is denominated in local currency, while the share of dollar bonds has narrowed, also to 37%. Most new bonds offer a fixed interest rate. This, combined with longer maturities -- the average is estimated to have risen from 8.6 to 14.2 years -- has reduced exposure to future financial crises. New peso-denominated bonds are adjusted by an inflation-linked coefficient (CER). In the next five years debt servicing will represent 53% of total debt, down from 88% before the restructuring.³⁸

The 2006 budget proposal includes public debt servicing reaching 10.4 billion pesos -- up 1.8% year-on-year. It foresees the rescheduling of 70% of debt commitments with the IMF during 2006, and the rescheduling of 50% of debt commitments with the World Bank and the Inter-American Development Bank for the same period. Fiscal figures could be modified if no agreement with the IMF is achieved before April next year, considering that debt cancellation commitments will be around 8.3 billion dollars (5 billion to international donors).³⁹

In 2005, the government has been using alternative financing sources to face international debt commitments, including selling treasury bonds to the AFIP.⁴⁰ The MEcon has recently announced the creation of a special account (*cuenta indisponible*) funded with additional incomes -- from those originally projected -- generated between November 2005 and April 2006. Analysts agree that resources from this account are likely to be used for debt cancellation during next year.

Budget presentation

Budgets are usually submitted to Congress following legal requirements. Representatives from the Ministry of Economy -- including the minister -- attend a joint session of the budgetary and finance commissions of the lower chamber of Congress in order to explain the budgetary goals for the following year and to set out its macroeconomic framework.

Detailed information about the budget is available on the MEcon website, and budget documentation distinguishes revenue, expenditure and financing. The classification of budget revenues and expenditures is compatible with the IMF's 1986 Government Finance Statistics (GFS) methodology, which is claimed to be more suited to the country's legal framework than the GFS 2001.⁴¹ Budget information has reassumed its pre-crisis good standards and publicly available data has been improving since 2003.

The ONP collects information on revenues and expenditures of some budget programmes, including a description of their core objectives. The quality of information is not homogeneous for all programmes, but efforts have been made in recent years to increase their quality and detail. Some programmes do not include an impact assessment, leading to the creation of unnecessary budget allocations.

Data reporting

The ONP prepares the budget -- disaggregated into resources for the central government, decentralised institutions and social security -- that is submitted to Congress by 15 September each year. Budgets for public companies must be presented by 30 September and must be approved by the executive by 31 December. The consolidated budget goes to Congress for its information before 31 March. The government's annual budget proposal is usually widely covered by the media. As of this year, information publicly available also includes a *Progress Report* on the draft budget that the government prepares and submits to Congress for its information in June each year, before the final version is presented in September.⁴²

The MEcon website regularly updates its information on the country's economic performance and macroeconomic projections. Publicly available information on budgetary documentation is comprehensive. The quality and timeliness of information is of a lower standard at the provincial level than at the national level, as are the standards of disclosure. Progress in budget transparency practices in several provinces has slowed during recent years.⁴³ The LRF should establish a uniform system of accounting and reporting for fiscal data among provinces. However, experts concluded that unless an improvement in the provinces' technical capacity occurs, these provisions are unlikely to have any impact.

Budget execution and monitoring

Budget execution and monitoring has been improving in recent years, with publicly available information being updated in a timely manner and reliable. The MEcon publishes a monthly report on budget execution.⁴⁴ In addition, more detailed information is submitted in the annual *Budget Execution Report*. The quarterly *Fiscal Bulletin* -- publicly available online -- provides information on budgetary execution for the national administration, public sector agencies and companies, and some fiduciary funds. The statistical annex of the *Bulletin* has improved the amount of data available. The *Public Administration Indicators Report* contains a comprehensive assessment of programme evaluation for the 1994-2003 period, although information is submitted on an aggregate basis.⁴⁵ Monthly budget execution information is provided on a programme basis at the MEcon website, although the presentation could improve its format.⁴⁶ The *Savings-Investment Account of the Public Sector Report* -- released on a monthly basis and consolidated in annual reports -- also includes information on budget execution.

Efforts have been made to present budget execution information with a comparison of the amounts approved by Congress every year. However, there is no systematic analysis of budgetary changes introduced by the government during the fiscal year. No evaluation of spending efficiency is publicly available, although this shortcoming is likely to be addressed by the LRF. Representatives from the MEcon attend Congress sessions' on a quarterly basis in order to report on budget execution.

In recent years, the government has made numerous reallocations of money within budget programmes, with consequent distortions of the budget approved by Congress. In addition, the 2004 budget expenditure increased 11% from original projections without congressional intervention, following the issuing of presidential decrees -- primarily through Decree 917/04 -- a move fostered by the tax collection increase.⁴⁷ In November this year, the budget was augmented by six billion pesos through Presidential Decree 1466/05, following an unanticipated increase in tax revenues. Budget changes introduced by the government during the fiscal year are released through the *Official Bulletin*, but information is neither presented in a user-friendly format nor consolidated in official reports.

The 2006 budget proposal submitted by the government does not include a request to authorise the cabinet chief to reassign budget funds without congressional approval. In past years, this power has been widely exercised with the only limitation being that the total amount of funds approved by Congress could not be altered.⁴⁸ This prerogative was

criticised by independent experts and by opposition parties in Congress.⁴⁹ However, it is unclear whether expenditure increases can be legally introduced through presidential decrees, as has been occurring recently.

In 2005, concerns increased over the use of budgetary funds under the Jurisdiction 91, also called 'Treasury Obligations', which can be distributed by the government without Congress approval. This item is included in the annual budget without a detailed allocation plan for at least half of its funds. In the 2006 budget proposal, nine billion pesos have been allocated to this account, mainly to face contingency expenditures coming from the Financial Education Law (not yet approved), and different agreements signed with the provinces (for which no specific information is disclosed). Disaggregate information on the use of these resources is unavailable.

Accounting basis

The government accounting system is established in Law 24.156 on financial administration, which sets forth clear procedures and objectives common to all levels of the national public sector. The law also establishes the functions of the National Accounting Office (NAO).⁵⁰ Argentina uses both an accrual and cash-based accounting system for spending, while maintaining a cash-based system for incomes. Accounting standards are publicly available through the NAO website.

The NAO maintains records of the central government's accounts and of its operational, economic and financial results, as well as of budgetary execution. Since 1993, the NAO publishes a detailed report on government accounts annually. This report -- publicly available through the NAO website -- provides information on saving investment financing accounts; financial statements of the central administration (including the general balance sheet, statement of results, statement of origin and application of funds, and statements of changes in net position); and consolidated financial performance of the non-financial national public sector. However, commentators have suggested that the NAO's role in carrying out internal audits is limited.

Procurement and employment

Procurement for the national government is centralised in the National Procurement Office (NPO), which since 2000 has operated under the cabinet chief.⁵¹ Decree 1023/01 approves the national system of procurement, which is based on the principle of transparency for public sector contracts. Information about procurement is publicly available through the NPO website, which also includes a recent list of contracts for goods and services. In practice, however, established procurement policies are not always followed. Procurement information has gradually increased and a revamped website provides more detailed information, including a section of ongoing contracts. However, during 2005, there have been allegations of price cartels against companies engaged in public works. Additionally, the World Bank Office in Buenos Aires has suspended the execution of ten projects engaging road work improvement, owing to the perception -- detected by government departments -- that companies attending the bidding process could have set a minimum offer in advance to undertake the work.⁵²

The National Civil Service Career System (SINAPA) has a good reputation. However, most of the recruitment for state employees is conducted outside SINAPA's procedures. In addition, each state agency has its own internal hierarchy personnel procedures. At the provincial level, the majority of public employees are contracted. As a consequence, the public has little information on the rules for selection of public servants, and the monitoring system to evaluate their performance is weak.

A report by the Argentine under-secretariat of public management, published in 2004, cites the poor professional level of much of the public sector as an impediment to effective administration and economic development.⁵³ Some commentators suggested that the shortage of technical staff is an obstacle to carrying out government programmes, and is in part responsible for government under-spending -- especially in areas where tenders are delayed owing to the lack of technicians.

Fiscal reporting

Under Law 24.156, the government must present a preliminary report on the execution of the budget to Congress by 30 June. This information must include data on the degree of compliance with objectives and goals. At the same time, quarterly and cumulative data on budget execution at the national level are published in the *Fiscal Bulletin*. Information on final public accounts is submitted to Congress and also published on the MEcon website.

Government decrees through which budget funds are reallocated to different programmes are usually published in the *Official Bulletin*, but Congress does not exercise any monitoring role. Starting in 2004, information publicly available includes the annexes of those resolutions, which contain the most important data. Congress approves the consolidated budget, but in practice the legislature does not exercise any real control.⁵⁴ The Congress has some discretion over the amounts applied to fiduciary funds, but not over the use or allocation of funds.

Although in-year reports are relatively detailed, the executive does not prepare a comprehensive mid-year review. Progress information on budget execution is usually provided to the Congress on a quarterly basis, but its role in budget execution and monitoring is very limited. This is partly due to the lack of proper skills and resources. At present, there is no budget office in Congress. Pressures from non-governmental organisations and some congressmen to create such an office along the lines of the US Congressional Budget Office continue, but no concrete action has been taken to address the issue. Over the past year, overall congressional activity has decreased, bringing the total number of formal sessions to a record low since 1983.

In recent years, the combination of powers granted to the cabinet chief in reassigning budgetary allocations, the increase in budget expenditures through presidential decrees, and the underestimation of tax revenues -- increasing the discretionary use of supplementary resources -- have in practice diminished the role of Congress in exercising an active role in fiscal policy design and budgetary control.⁵⁵ Commentators have suggested that, given the broad powers exercised by the executive, the real effect of the budget laws approved by Congress is increasingly becoming a mere declaration of intent.⁵⁶

The maintenance of the Emergency Economy Law -- originally approved for one year in January 2002 during the peak of the political and economical crisis, granting the president broad powers to renegotiate public service contracts with privatised companies -- is a further sign of the Congress increasing the delegation of power. The law will expire on 31 December 2005, unless Congress decides to extend its validity.

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY

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Data quality standards

Publicly available information is considered reliable by its users, and includes detailed methodological issues, and execution reports. However, some delays in the release of information -- especially at a provincial level -- are still noticeable. Budget data specify clear fiscal objectives within a consistent macroeconomic framework, but there is no systematic mechanism to assess compliance with fiscal goals, or to determine the efficiency of spending. Moreover, the constitutional limits on national power over provincial administrations means that consistency cannot be guaranteed at the sub-national level.⁵⁷ There have been some efforts to standardise provincial budgets but there is still much room for improvement.⁵⁸ The Research and Development Centre, within the MEcon prepares manuals and guidelines to help data submission by different government departments, public enterprises, decentralised agencies, and fiduciary funds. Guidelines to submit information on budget execution are also available.⁵⁹

Law 24.156 on financial administration provides that the national budget must include revenue and expenditure trends and an explanation of the information used in those calculations. The manual of budgetary classifications published by the MEcon governs the formulation and execution of the budget. Following the LRF, sub-national governments subscribing to the law will have to develop homogeneous public management indicators in order to allow a more structured and comprehensive comparison for tax collection efficiency and public expenditure.⁶⁰ The enforcement of the LRF has been postponed until next year. Nevertheless, limited information on progress made to comply with the law at the provincial level is available. Fiscal data is disseminated and regularly updated on the MEcon website in accordance with Argentina's SDDS commitment. However, publicly available information remains, in general, descriptive rather than analytical.

Independent scrutiny of fiscal information

Independent Audit

The National Audit Office (AGN) undertakes the independent auditing of the public sector and has a well-established legal framework for its work. It is a technical advisory body of Congress and in principle has functional autonomy, although in practice its activities may be informed by political considerations. The AGN is charged with controlling the legal aspects, management and auditing of all activities of the centralised and decentralised government agencies, and takes part in approving or rejecting the revenue and investment accounts of public funds. AGN reports are submitted to Congress, which may then pass resolutions recommending that the audited entities adopt measures to implement its recommendations. However, those reports are rarely analysed or approved by Congress, weakening the external control of fiscal accounts. The AGN's lack of power to enforce its recommendations constitutes a severe limitation to its functions.⁶¹ A bill to extend AGN's powers is yet to be debated in Congress.

In September this year, the AGN signed an agreement with the judicial branch of government -- constitutionally independent from the executive and legislative branches -- in order to audit its accounts. Independent experts have welcomed the initiative, which is likely to improve the auditing procedures of funds included in the annual budget law.

The National General Syndic (SIGEN) internally audits the public sector. The role of this body is limited and in-depth investigations are rarely conducted. The SIGEN had three different directors in the course of 2004, hampering its internal functioning and policy direction. In addition, the fact that the current deputy director of the SIGEN is the wife of Planning Minister Julio De Vido -- who oversees one of the most significant budgets within the national administration -- has also cast a shadow over the integrity of the SIGEN's audits. One of the most important criticisms of fiscal procedures in Argentina is the lack of effective, ex-post controls.

Independent reviews of the quality of macroeconomic forecasts are made available through the BCRA's *Market Expectations Survey* (REM). The REM is based on the main short and medium term macroeconomic forecasts prepared by independent analysts and consulting firms for the country's economy. REM information is publicly available and regularly updated.

National Statistics Agency

The National Statistics Institute (INDEC) is responsible for the methodological design, organisation and management of national data through censuses and surveys; the development of basic social and economic indicators; and the production of other basic statistics, all of which can be found on its website.⁶² As of 2006, the institute will modify the comprised basket of goods and services used to measure inflation to reflect the change in population habits in recent years. Additionally, the consumer price index has started to reflect information gathered across the country, improving comparative data on a provincial basis.

INDEC has technical independence, meets SDDS standards for data integrity and quality, and has a solid reputation for its reliability and independence. INDEC does not possess auditing functions to verify the government's financial statistics. INDEC is a department within the MEcon, and the latter has been known to use preliminary data from INDEC to prepare separate analyses regarding critical economic issues (such as poverty and unemployment) to reach different conclusions.⁶³

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Argentina between 28 November and 2 December 2005:

Ministry of Economy (MEcon)

2 December 2005

Mario Saccone	Analyst	National Budget Office
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Central Bank of Argentina

29 November 2005

George McCandless	Deputy Manager	Economic and Financial Research Department
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ADDITIONAL INTERVIEWS

28 November 2005

Daniel Oks	Senior Economist	World Bank Regional Delegation
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29 November 2005

Ernesto Ramirez Rigo	Resident Representative	International Monetary Fund
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Alcadio Oña	Journalist	<i>Clarín</i> Newspaper
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30 November 2005

David Proddger	Head of Trade & Investment	British Embassy in Buenos Aires
Andres Borenstein	Economic Officer	British Embassy in Buenos Aires

Daniela Dborkin	Fiscal Policy Department	Centre for the Implementation of Public Policies Promoting Equity and Growth
Federico Marongiu	Fiscal Policy Department	Centre for the Implementation of Public Policies Promoting Equity and Growth

2 December 2005

Nestor Lavergne	Analyst	National Statistics Institute (INDEC)
Paula Gosis	Research Fellow	Latin American Faculty of Social Sciences (FLACSO)

NOTES

¹ National Constitution, 1853 (last amended 1994), available at:

www.georgetown.edu/pdba/Constitutions/Argentina/argen94.html

² See www.jgm.gov.ar

³ Law 23.548, which established the revenue-sharing mechanism between the federal government and the provinces, and other laws on the fiscal management of the country can be found (in Spanish only) at <http://infoleg.mecon.gov.ar>

⁴ The highest per capita transfers go to the sparsely populated southern provinces of Tierra del Fuego and Santa Cruz, although these provinces also receive significant oil royalties.

⁵ The stand-by accord was suspended in mid-2004. The original three-year accord, signed in September 2003, fixed macroeconomic targets for the first year only. As such, with no substantive agreements for the remaining two years, the suspension of the accord -- while semantically less dramatic than cancellation -- had little or no effect. In an effort to avoid a complete breakdown of relations, the government has been making debt payments due to the IMF, the World Bank and the Inter-American Development Bank, despite not receiving the disbursements agreed under the stand-by accord.

⁶ Although at present lack of an accord does not represent a serious fiscal threat, it will do so again in future if the national government's political and fiscal position weakens, and the government may yet regret failing to negotiate an agreement while in a position of strength.

⁷ Interviews in Argentina, 28 November - 2 December 2005.

⁸ Following the country's constitutional system, governors are not empowered to decide on the adherence to the LRF, having to rely on the provincial legislatures.

⁹ Some information for 2003 PFOs is available at: www.mecon.gov.ar/hacienda/anexo6.xls

¹⁰ Law 24.156, on Financial Administration and Control Mechanisms, October 1992 also includes general rules for budget preparation, approval and execution.

¹¹ Federal Council for Fiscal Responsibility website, available at: www2.mecon.gov.ar/cfrf/ Internal procedures available at: www2.mecon.gov.ar/cfrf/resoluciones/res1_Anexo.pdf

¹² According to preliminary reports, several provinces -- including Formosa, Jujuy, San Juan, Río Negro, Tucumán, Misiones, Córdoba, Entre Ríos, Corrientes, Chaco y Buenos Aires -- will be in a difficult position to follow LRF's spending limits this year. Provisional figures for 2005 provincial spending are calculated at around 25% higher than for 2004, even though GDP growth will be around 17.7%. Doubts remain about the LRF real enforcement in 2006.

¹³ Interviews in Argentina, 28 November - 2 December 2005.

¹⁴ 'IMF Executive Board Concludes Article IV Consultation with Argentina', IMF Public Information Notice 05/83, June 2005, available at: www.imf.org

¹⁵ See Central Bank of Argentina website at: www.bcra.gov.ar and Argentine Inland Revenue Office (AFIP) website at: www.afip.gov.ar

¹⁶ Interviews in Argentina, 28 November - 2 December 2005.

¹⁷ The creation of ENARSA is part of a wider plan presented by the government following the 2004 energy shortages.

¹⁸ Interviews in Argentina, 28 November - 2 December 2005.

¹⁹ Interviews in Argentina, 28 November - 2 December 2005.

²⁰ 'Global Competitiveness Report 2004-2005', available at: www.weforum.org

²¹ Fiscal Responsibility Law, Article 3.

²² The proposal has been drafted following a collaborative procedure between Congress and Civil Society. The main problem arose from a lack of agreement between the lower house of Congress and the Senate in the final text.

²³ Fiduciary funds operate as trusts -- that is, resources assigned for specific purposes, which are not accounted as part of the resources of either the grantor or the grantee. They were first used in the public sector in 1995 and have been expanding since then.

²⁴ Following article 3 of the LRF, fiduciary funds will have to be incorporated into the national budget within two years from the entering into force of the law.

²⁵ 'Fondos Fiduciarios Estatales', Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento & Centro de Evaluación de Políticas Públicas, October 2005, available at: www.cippec.org/espanol/index.html

²⁶ 'Informe Especial -- Relevamiento de la Actividad Fiduciaria del Sector Público Nacional', Auditoría General de la Nación, 2005, available at: www.agn.gov.ar/informes/informesPDF2005/2005_023.pdf

²⁷ The multi-year budget is informal, in the sense that it does not represent a formal assignment of funds to specific areas or programmes.

²⁸ ‘XXXI International Seminar of Public Budget – The Argentine Experience’, San José, Costa Rica, June 2004, available at: www.asip.org.ar/es/seminarios/int031/ponencias/15_d.html

²⁹ Fiscal Responsibility Law, Articles 5 and 6.

³⁰ Mandatory court liabilities (judicial cases where the government is defeated) are not always included in budgetary information.

³¹ IMF Special Dissemination Standard (SDDS) - Argentina, at:

<http://dsbb.imf.org/Applications/web/sddscountrycategorylist/?strcode=ARG>

³² *Economic Reports*, available at: www.mecon.gov.ar/peconomica/informe/indice.htm

³³ See www.mecon.gov.ar/hacienda/info_ende.htm

³⁴ Available at: www.mecon.gov.ar/progeco/calendar.htm

³⁵ National Budget Office website (in Spanish only) at: www.mecon.gov.ar/onp/html/index.html

³⁶ In an August 2004 document prepared by MEcon -- ‘Argentina, the IMF and Debt Crisis’, Argentina criticised the Fund’s management of its crisis. In this report, the Ministry of Economy expresses concerns over the IMF’s proposals for structural changes, and argues that the role of the organisation should be limited in settling macroeconomic targets.

³⁷ Interviews in Argentina, 28 November - 2 December 2005.

³⁸ The IMF has asked the government to define a clear strategy to deal with those creditors who did not enter the swap. As 24% of the defaulted debt was not restructured, Argentina could face potential lawsuits for a total of some 20 billion dollars (around 13% of GDP). However, no solution for holdouts has been presented. For an in-depth analysis on debt restructuring see: ‘Bond swap opens window of opportunity’, Oxford Analytica Daily Brief, 7 March 2005.

³⁹ In the past year, conversations between the IMF and the national government have not progressed in the signing of a new accord. The government’s aim to pay off its outstanding debt to the IMF continues. However, the IMF is likely to insist on more structural reforms to achieve sustainable growth, and it is expected to insist on several issues. The figure for the annual primary surplus, tariffs with privatised companies of public utilities, a solution for the 24% of creditors who did not enter the debt-swap, the BCRA’s intervention to maintain the exchange rate, and the lack of a new co-participation agreement, are among the outstanding issues where agreement has not been reached.

⁴⁰ The system is legally allowed, although for a limited period of 90 days, after which the bonds must be resold. Each month, the AFIP retains 1.9% of tax collection. Given the fact that tax collection has increased this year above 10% of original estimates, the agency has enough resources to make these operations.

⁴¹ Interviews in Argentina, 28 November - 2 December 2005.

⁴² Law 24.629 establishes the government’s obligation to submit this report to Congress, although this is the first year that it is publicly available through the website. *Progress Report on the 2006 Budget Proposal*, available at: www.mecon.gov.ar/onp/html/info_avance/2006.PDF

⁴³ For an in-deep analysis on provincial fiscal information, including budget execution and data reliability, see: Uña, Gerardo & Bertello, Nicolás. ‘Reglas Fiscales en Argentina’, June 2004.

⁴⁴ Available at: www.mecon.gov.ar/onp/html/ejecu_mensual/index.htm

⁴⁵ *Public Administration Indicators Report 1994-2003*, available at: www.mecon.gov.ar/onp/html/index.html

⁴⁶ *Public Budget Execution Site*, available at: <http://sg.mecon.ar/ejecucion/>

⁴⁷ The scope of the Decree 917/04 goes beyond the powers granted to the cabinet chief to modify budgetary allocations and some analysts concluded that the content of the decree collides with the Congress constitutional powers over the budget.

⁴⁸ Budget reallocations in the past two years reached nearly 1% of the total funds included in the budgets.

⁴⁹ The prerogative assumed by the Executive included both current and capital budget expenditures. In addition, it overruled management principles established in Article 37 of the Financial Administration Law, and Article 15 of the LRF. Article 15 of the LRF establishes that the government cannot finance an increase in the budget’s current expenditures with a decrease of its capital expenditures. In addition, Article 37 of the Financial Administration Law imposes similar restrictions to budgetary reallocations, leaving decisions affecting the total amount of the approved budget with Congress.

⁵⁰ National Accounting Office at: www.mecon.gov.ar/hacienda/cgn/default1.htm

⁵¹ National Procurement Office at: <http://onc.mecon.gov.ar/>

⁵² Interviews in Argentina, 28 November - 2 December 2005. These allegations occur in a moment where the country is trying to encourage a more business-friendly environment.

⁵³ According to this study, available at: www.sgp.gov.ar, only two out of ten public employees have received a university education.

⁵⁴ Annual reports sent to Congress are available at: www.mecon.gov.ar/hacienda/cgn/cuenta/

⁵⁵ Uña, Gerardo. 'El Congreso y el Presupuesto Nacional', July 2005.

⁵⁶ Interviews in Argentina, 28 November - 2 December 2005.

⁵⁷ As mentioned above, the LRF could overcome this problem.

⁵⁸ Interviews in Argentina, 28 November - 2 December 2005.

⁵⁹ Available at: <http://capacitacion.mecon.gov.ar/manuales.php>

⁶⁰ Federal Fiscal Responsibility Law, Article 8.

⁶¹ Interviews in Argentina, 28 November - 2 December 2005.

⁶² National Statistics Institute, available at: www.indec.gov.ar

⁶³ Given the fact that the MEcon has advance access to statistics prepared by INDEC, the former sometimes prepares its own press releases -- using its own analysis of the data -- providing public opinion with more optimistic figures, before the official INDEC analyses are published.